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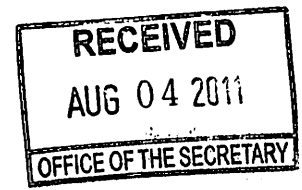
**Group Executive & Chief Financial Officer**

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Mr Michael Barnier  
Commissioner Internal Market and Services  
European Commission  
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1049 Bruxelles



Dear Ms Murphy and Commissioner Barnier

**Mandatory reporting requirements for extractive industries**

The undersigned companies believe that revenue transparency is good for society and therefore good for our business. Our commitment to this cause is evident from our active support for the Extractive Industries Transparency Initiative (EITI). Based on this experience, we are writing to recommend effective ways of providing transparency and to express our concerns with respect to the possibility of mandatory "project by project" reporting requirements.

We believe that any mandatory regulation should be based on, and complementary to, the EITI approach to disclosures. Mandatory disclosure regulations should be structured to tackle corruption by promoting accountability and better governance in resource-rich countries and helping to prevent the misuse of public funds as part of the international anti-corruption agenda. A country by country basis of disclosures of payments to governments best achieves that objective. We believe that the alternative, project by project, approach would fail to attain improved transparency, while generating considerable political and commercial costs.

Transparency is best served by disclosing information which is of sufficient validity and clarity to allow audiences to draw reasonable conclusions. The apportionment of payment data to a project level would be artificial and difficult to interpret. In many countries, government payments are not incurred at project level. As a result, payments would have to be arbitrarily allocated to projects, thereby generating datasets which would bear little resemblance to the actual basis upon which government entitlements are determined. These disclosures would therefore be inadequate, and not meet the aims of the international anti-corruption agenda. This problem would be exacerbated where different companies hold stakes in the same project but report very different results due to their overall in-country tax position. In consequence, companies would generate a large number of datasets per country which would be difficult to compare, further complicating the interpretation of information.

Furthermore, such artificially derived project-level data could convey a misleading picture of governmental revenue streams from projects located in specific regions. This risks muddying the debate in countries where the allocation of revenues between resource-rich regions and central governments is already contentious, while failing to provide accurate information supporting accountability. This could expose EU based companies to accusations of interfering with national sovereignty which, at the extreme, could result in reduced access to resources and security of supply if host countries then chose to contract with non-EU based companies that are not subject to project-level disclosure rules.

For similar reasons, the international competitiveness of EU based companies could be compromised in countries that prohibit detailed disclosures by law, especially where project level data is commercially sensitive. One example is oil or gas fields which cross borders, where governments are understandably careful to safeguard the confidentiality of the terms they offer to investors. Further damage to EU competitiveness will be caused by the additional cost and administrative burden of project level reporting, particularly where the disclosure threshold is set at a low level, or requires significant accounting system redesign.

There is no silver bullet which could help to enhance the quality and usefulness of project-level reporting. What is more, the thorough consultations and deliberations on project-level disclosures in the United States have demonstrated that there is no single definition of "project" that would be applicable across extractive industry sectors, or even within one single company that operates across several markets. Given the insuperable difficulty of finding a suitable definition, the European legislator would face the choice of either imposing one universal definition, which in many cases could not be implemented in any meaningful way, or leaving the definition open to individual companies, thereby adding to the problem of producing arbitrary and incomparable data.

It is for these reasons that we believe that mandatory revenue transparency regulations will be most effective when they complement the multi-stakeholder approach of the EITI and require companies to disclose payments to governments on a country by country basis, broken down by types of payments. This would generate useful data for many countries and their civil societies, particularly those that are not implementers of the EITI, while ensuring clarity of information for target audiences and consistency of interpretation across the extractive industry. At the same time, this arrangement would minimise security of supply risks and competitive disadvantages towards third country peers, while leaving open the possibility of forging a global standard around the EITI disclosure model.

Your cabinet and services have already been provided with materials that explain the extractive industry's concerns and views in more detail. We wish to make a constructive contribution to the debate and would appreciate the opportunity to discuss this matter in person at your convenience.

Yours sincerely



Alex Vanselow